Government of Saskatchewan

Annual Report 2006-2007

Saskatchewan Agriculture and Food

The Saskatchewan Agricultural Stabilization Fund

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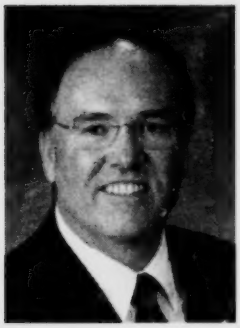
This annual report is also available in electronic format from the department's website at **www.agr.gov.sk.ca**.

Letter of Transmittal



His Honour
The Honourable Lieutenant Governor
Dr. Gordon L. Barnhart
Province of Saskatchewan

July 15, 2007

Your Honour:

I have the honour to submit herewith the Annual Report of the Saskatchewan Agricultural Stabilization Fund for the 12 months ending March 31, 2007.

I have the honour to be, Sir, your obedient servant,

Mark Wartman
Minister
Saskatchewan Agriculture and Food

The Saskatchewan Agricultural Stabilization Fund

The Fund is established under *The Farm Financial Stability Act*.

The purpose of the Fund is to administer those programs established under the Act, which enhance or stabilize the incomes of Saskatchewan farmers or the returns from commodities produced by Saskatchewan farmers.

The Fund administers each program that is set up under it by establishing a separate account, which receives funding from the Provincial and Federal Governments and pays out these funds according to the specific program regulations.

The Fund operates the following nine accounts which are established by the regulations noted:

- New Crops Insurance Account – *The New Crops Insurance Program Regulations*
- Waterfowl Damage Compensation Program Account – *The Waterfowl Damage Compensation Program Regulations*
- Big Game Damage Compensation Program Account – *The Big Game Damage Compensation Program Regulations*
- Canada-Saskatchewan Adjustment Program (CSAP I) Account – *The Canada Saskatchewan Adjustment Program Regulations*
- Canada-Saskatchewan Assistance Program (CSAP II) Account – *The Canada Saskatchewan Assistance Program Regulations*
- The Agricultural Income Disaster Assistance and Canadian Farm Income Program Account – *The AIDA and CFIP Program Regulations*
- Unseeded Acreage Benefit Account – *The Unseeded Acreage Benefit Program Regulations*
- The BSE (Bovine Spongiform Encephalopathy) Recovery Program Account – *The Canada-Saskatchewan BSE Recovery Program Regulations, 2003*
- The Specified Risk Material Management (SRM) Program - *The Canada-Saskatchewan Specified Risk Material Management Program Regulations, 2007*

New Crops Insurance Program

In 1997, Saskatchewan created the New Crops Insurance Program under the Saskatchewan Crop Insurance Corporation (SCIC) to expand the list of insurable crops to ones where there was less data available than had historically been required to obtain federal and provincial approval. This allows SCIC to be more proactive in accommodating producers' insurance needs as they diversify their own operations in response to market signals and opportunities. Given some of the additional uncertainty attached to these crops, coverage is limited to 70 per cent, and not all features of the traditional insurance program are available for these crops. It is expected that, over time, these commodities may be moved into the traditional program.

Alfalfa seed, coriander, caraway (biennial), khorasan wheat and non-irrigated dry beans, timothy hay and crops insured under the vegetable acreage loss option were all insurable crops under the 2006 New Crops Insurance Program. All new crops are insured for yield loss. A producer's production guarantee is determined using the provincial average yield for the new crop.

Premium cost-sharing is the same for new crops as the regular crop insurance program. Producers have the option of selecting coverage levels of 50, 60 or 70 per cent. SCIC requires producers who grow these crops to follow a number of industry recommended agronomic practices regarding seeding dates, seed treatment, crop rotations and other management practices in order to be eligible for insurance.

The New Crops Insurance Account within the Saskatchewan Agricultural Stabilization Fund is accessed when, in any given year, the indemnities to be paid out by SCIC exceed the premiums collected for New Crops. The resulting shortfall is paid from the Account to SCIC. In addition, the Account is to pay to SCIC the costs for reinsurance arrangements for that year. Any surplus in the Account is allowed to carryover to subsequent fiscal years.

Big Game Damage Compensation Program

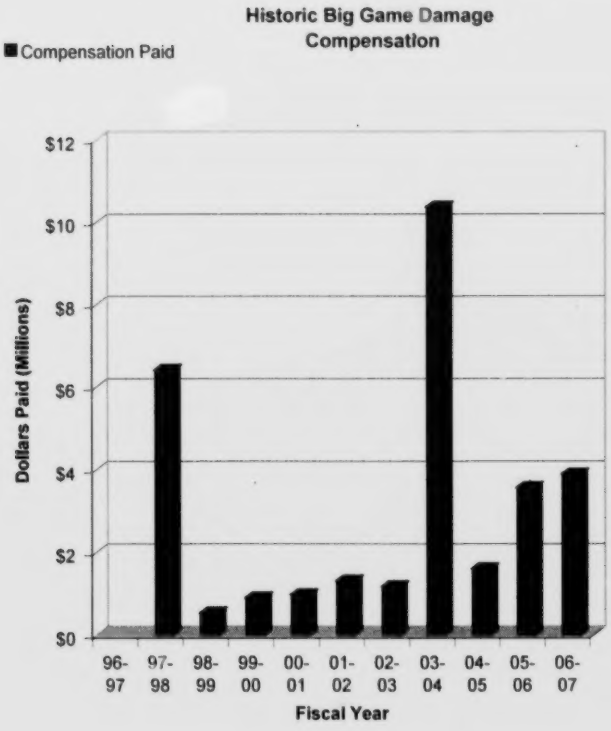
The Big Game Damage Compensation Program is administered by the Saskatchewan Crop Insurance Corporation. Producers who suffer crop losses from the damage caused by white-tailed deer, mule deer, bison, antelope, elk, moose, or bears, can file a claim. Any Saskatchewan producer, with or without a crop insurance contract, is eligible to receive compensation for crops damaged by big game.

Compensation covers 80 per cent of the incurred loss. Payments are based on the grade of the crop at the time of harvest to adequately reflect the value of the damaged crop, subject to a $100 deductible per crop. There are no costs or premiums paid by the producer.

Annual Big Game Damage Compensation Summary

Year	Claims	Compensation Paid	$/Claim
96-97	0	$0	$0
*97-98	1,671	$6,412,426	$3,837
98-99	264	$529,955	$2,007
99-00	400	$893,760	$2,234
00-01	383	$968,948	$2,530
01-02	612	$1,306,835	$2,135
02-03	393	$1,164,098	$2,962
03-04	2,789	$10,366,683	$3,717
04-05	813	$1,594,932	$1,962
05-06	1,595	$3,567,261	$2,237
06-07	1,588	$3,882,006	$2,445
Total	**10,508**	**$30,686,904**	—
Average	**1,051**	**$3,068,690**	**$2,920**

**97-98 includes claims from both 1996 and 1997 crop years. An early snowfall in 1996 resulted in 1996 claims being paid out in the spring of 1997 when damages were assessed.*



Waterfowl Damage Compensation Program

Annual Waterfowl Compensation Summary			
Year	Claims	Compensation Paid	$/Claim
78-79	1,586	$ 1,836,587	$ 1,158
79-80	908	$ 977,476	$ 1,077
80-81	1,233	$ 1,465,480	$ 1,189
81-82	305	$ 312,061	$ 1,023
82-83	582	$ 684,593	$ 1,176
83-84	541	$ 869,910	$ 1,608
84-85	408	$ 763,530	$ 1,871
85-86	2,544	$ 6,389,022	$ 2,511
86-87	2,950	$ 6,658,769	$ 2,257
87-88	1,210	$ 1,779,933	$ 1,471
88-89	807	$ 1,337,903	$ 1,658
89-90	1,384	$ 3,727,130	$ 2,693
90-91	760	$ 2,138,380	$ 2,814
91-92	392	$ 683,391	$ 1,743
92-93	2,040	$ 5,557,642	$ 2,724
93-94	1,560	$ 3,603,156	$ 2,310
94-95	1,668	$ 1,778,556	$ 1,066
95-96	709	$ 1,352,767	$ 1,908
96-97	2,416	$ 7,951,921	$ 3,291
97-98	1,077	$ 4,361,668	$ 4,050
98-99	298	$ 520,360	$ 1,746
99-00	1,600	$ 4,309,428	$ 2,693
00-01	1,132	$ 2,559,440	$ 2,261
01-02	164	$ 233,093	$ 1,421
02-03	781	$ 2,368,893	$ 3,033
03-04	1,028	$ 5,202,721	$ 5,061
04-05	1,654	$ 5,028,034	$ 3,040
05-06	1,601	$ 4,843,871	$ 3,026
06-07	1,119	$ 4,055,209	$ 3,624
TOTAL	**34,457**	**$ 83,350,924**	—
Average	1,188	$ 2,874,170	$ 2,419
Five-year Average	1,237	$ 4,299,746	$ 3,476

The Waterfowl Damage Compensation Program is administered by the Saskatchewan Crop Insurance Corporation. Producers who suffer crop losses from the damage caused by ducks, geese and sandhill cranes can file a claim. Any Saskatchewan producer, with or without a crop insurance contract, is eligible to receive compensation for crops damaged by waterfowl.

Compensation covers 80 per cent of the incurred loss. Payments are based on the grade of the crop at the time of harvest to adequately reflect the value of the damaged crop, subject to a $100 deductible per crop. There are no costs or premiums paid by the producer.

*See graph top of next page.

Canada-Saskatchewan Adjustment Program (CSAP I)

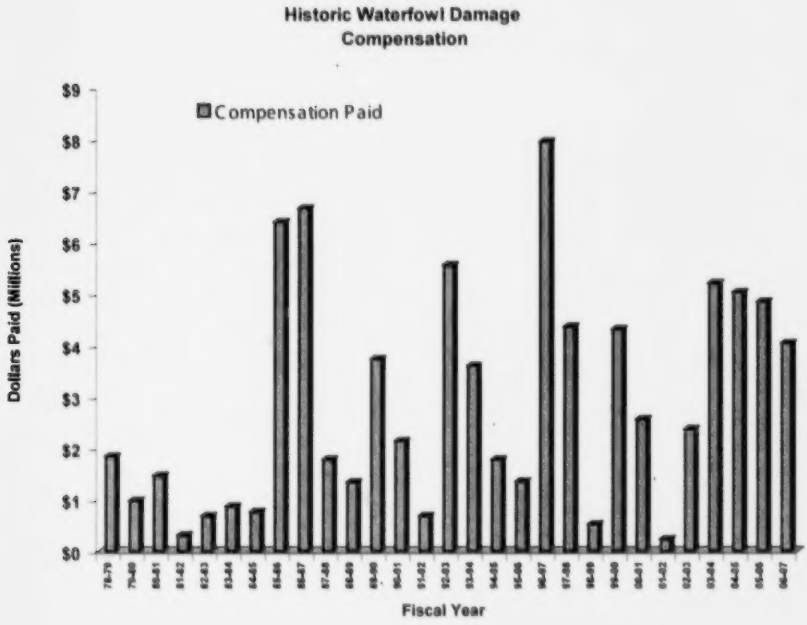
The CSAP I Program was in place for the 1998 stabilization year only, and therefore no activity occurred in this Account in 2006-07.

Canada-Saskatchewan Assistance Program (CSAP II)

The CSAP II Program was in place for the 1999 stabilization year only, and therefore activity in 2006-07 was limited to program windup.

Specified Risk Material Management Program (SRM)

The SRM Program provides funding to facilities affected by the enhanced feed ban for investment in one-time infrastructure development projects specifically related to SRM handling and disposal. The total cost for the program is $18.333 million and is cost shared 60:40 between Canada and Saskatchewan. The program was announced March 30, 2007 and, application deadline is December 31, 2008.



Canadian Farm Income Program (CFIP)

The Canadian Farm Income Program (CFIP) was announced in July of 2000 and provided assistance to farmers for the 2000, 2001 and 2002 tax years. CFIP was a whole farm income support program that provided payments to producers when their claim year margin dropped below 70 per cent of their previous three-year average or five-year Olympic average gross margin (gross margin is revenue less cash operating expenses). Program payment contributions and administration costs were cost shared 60:40 federal/provincial. The federal government administered the program through the CFIP Administration in Winnipeg with a satellite processing office in Regina.

The CFIP Administration received applications from 15,848 farmers in 2002, up from 13,593 for 2001 but down from the 2000 level of 17,450. As of March 31, 2006, all applications were processed. The eligible claims paid by year were as follows: 10,239 for 2002 (65 per cent), 7,226 for 2001 (53 per cent), and 7,628 for 2000 (44 per cent). Total payments to farmers for the 2002 program year was $194 million, $133 million for the 2001 program year and $109 million for 2000 program year.

Contributions from the Government of Saskatchewan for the 2002 program year were pro-rated at 70 per cent, meaning that a fully cost shared amount would have increased payments for the 2002 program year by $27 million to $221 million.

There is still an amount owing to the Government of Canada for the CFIP program contingent upon the finalization of the Herd Retention Credit amount. The Herd Retention Credit recognizes that the Province of Saskatchewan had a Herd Retention Program (HRP) that provided financial assistance to livestock producers to relieve financial hardship caused by drought in certain regions of Saskatchewan during 2002. The Government of Canada did not cost share the HRP. However, HRP did reduce the federal government's costs under the Canadian Farm Income Program (CFIP) as the HRP was considered eligible income for CFIP purposes. In 2004, the Government of Canada agreed to provide an estimated $5 million Herd Retention Credit equivalent to its estimated savings on the CFIP program for those producers who participated in the HRP. The most recent estimate of the value of the Herd Retention Credit from the Government of Canada is a range from $1,000,000 to $4,500,000.

Unseeded Acreage Benefit

The Unseeded Acreage Benefit was in place for the 1999 crop year only, and therefore no activity occurred in this Account in 2006-07.

BSE Recovery Program

Immediately following the May 20, 2003 announcement that a case of BSE had been discovered in Alberta, major export markets for cattle and beef closed completely. Cattle prices responded immediately, experiencing significant declines. This, in combination with much lower market volumes, dramatically cut overall cash receipts generated by the various components of the sector.

Feedlot operators with animals ready for slaughter were affected immediately. They experienced much reduced demand for their animals and significantly lower prices for those they could sell. With reduced feedlot throughput and demand, cow/calf producers in turn were negatively affected in the marketing of their steers and heifers. Markets for their cull cows essentially disappeared. The entire cattle sector in Canada was thrown into turmoil.

- **The Canada-Saskatchewan Feeder Calf Set-aside Program**

The program was designed to delay the finishing and slaughter of a portion of the 2004 calf crop in an effort to better balance supply and demand of slaughter cattle to help support slaughter prices. The program provided beef cow owners and backgrounders with the option of holding a portion of their 2004 calf crop from slaughter. Producers had the option to hold their calves from slaughter until either October 1, 2005, for a per head payment of $160, or until January 1, 2006, for a per head payment of $200. Payments were made in installments: an initial federal payment of $120 and $96 for January and October set-aside dates respectively and a provincial payment of $40 and $32 on March 31, 2005 for January and October set-aside dates respectively. The border opened to Canadian live cattle under 30 months of age on July 20, 2005; therefore, the third scheduled payment of $40 and $32 on October 1, 2005, for January and October set-aside dates respectively was not paid out. Nationally, the program targeted the set-aside of 1.5 million 2004 beef calves. Saskatchewan enrolled 214,445 calves into the program and paid out 6,223 applicants $24,534,648 federally, and $8,177,040 provincially.

- **The Canada-Saskatchewan Fed Cattle Set-aside Program**

The Canada-Saskatchewan Fed Cattle Set-aside Program provided cattle feeders with the option of setting aside market ready cattle to better align the supply of slaughter cattle with the available slaughter capacity. For each set-aside period (hold period), a management committee determined the number of market ready cattle that needed to be set-aside. Cattle feeders who wished to participate in the program bid their set-aside animals into the program based on their anticipated daily feed cost for a set-aside period of up to 120 days. Program payments were issued to the applicants after their set-aside period had been completed and the animals had been inspected. The program continued to operate until the Canada/U.S. border reopened to Canadian live cattle under 30 months of age on July 20, 2005. The program had 34 registered bidders, with 52 bids being accepted and paid. A total of 6,308 head of cattle were set-aside and a total of $699,511.54 was paid out. The program had budgeted $4.6 million.

- **The Saskatchewan Other Ruminants Industry Transitional Program**

The program was designed to provide assistance to producers of other ruminants (elk, deer species, bison, sheep, and goats) facing financial challenges resulting from BSE. This support provided financial assistance during this transition period, giving producers time to adjust their management practices to suit the new market circumstances. It allowed producers to sustain critical industry infrastructure until increased slaughter capacity and/or marketing capacity became available once the border opened. It also created an incentive to reduce or stop the further decline in breeding stock numbers within these industries. The program has provided financial assistance to producers affected by low commodity prices as a result of the border closure. The program paid out 1,685 applications, for a total of $1,794,980.80. This was a Saskatchewan only program and was estimated to pay out approximately $1.8 million.

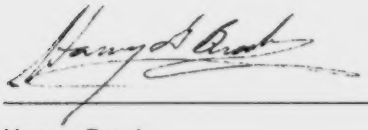
Management's Responsibility for the Financial Statements

The accompanying financial statements of the Saskatchewan Agricultural Stabilization Fund (Fund) have been prepared by management in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments where appropriate.

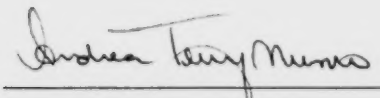
The Fund's management is responsible for the reliability and integrity of these financial statements and other information in this Annual Report. Financial information in the Annual Report is consistent with that provided in these financial statements.

In discharging its responsibility for the reliability and integrity of these financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Fund's external auditor, KPMG LLP, has audited these financial statements and conducted a review of internal accounting policies and procedures to the extent required to enable them to express an opinion on these financial statements.



Harvey Brooks
Deputy Minister
Saskatchewan Agriculture and Food
June 8, 2007



Andrea Terry Munro, CMA
Senior Manager, Financial Systems
Corporate Services Branch
Saskatchewan Agriculture and Food
June 8, 2007

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Agricultural Stabilization Fund as at March 31, 2007 and the statements of operations and changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada
June 8, 2007

Financial Statements

Statement of Financial Position

As at March 31

	Waterfowl Damage Compensation Program		New Crops Insurance Program		Big Game Damage Compensation Program		AIDA-CFIP Program	
	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets								
Cash	$ 5,887	$ 11,740	$ —	$ —	$ 13,558	$ 15,278	$ 296	$ 296
Due from Province of Saskatchewan								
- General Revenue Fund (note 3)	1,127,542	590,965	6,079,494	6,311,326	533,815	900,670	6,944,000	6,944,000
Due from the Waterfowl Damage Compensation Program	—	—	—	—	10,307	13,857	—	—
Due from Government of Canada	1,883,341	903,705	—	—	741,902	1,440,879	—	—
Accrued interest and other receivables	—	1,840	63,059	53,407	22,811	12,910	—	—
	3,016,770	$ 1,508,250	$ 6,142,553	$ 6,364,733	$ 1,322,393	$ 2,383,594	$ 6,944,296	$ 6,944,296
Liabilities								
Accounts payable and accrued liabilities	—	—	—	477,781	9,112	855	—	—
Indemnities payable	2,991,869	1,480,822	—	—	1,072,200	2,353,357	—	—
Due to the Big Game Damage Compensation Program	10,307	13,857	—	—	—	—	—	—
Due to the Saskatchewan Crop Insurance Corporation	14,594	13,571	—	—	241,081	29,382	—	—
Due to Government of Canada (note 4)	—	—	—	—	—	—	4,945,520	4,945,520
	3,016,770	1,508,250	—	477,781	1,322,393	2,383,594	4,945,520	4,945,520
Net Financial Assets	$ —	$ —	$ 6,142,553	$ 5,886,952	$ —	$ —	$ 1,998,776	$ 1,998,776

See accompanying notes to financial statements

Statement of Financial Position (continued)

Canada-Saskatchewan BSE Recovery Program		Canada-Saskatchewan Assistance Program (CSAP II)		Specified Risk Material Management Program		Total	
2007	2006	2007	2006	2007	2006	2007	2006
$ —	$ —	$ 2,105	$ 1,982	$ 7,333,000	$ —	$ 7,354,846	$ 29,296
8,521	8,521	—	—	—	—	14,693,372	14,755,482
—	—	—	—	—	—	10,307	13,857
38,538	38,538	—	—	—	—	2,663,781	2,383,122
—	—	8	—	—	—	85,878	68,157
$ 47,059	$ 47,059	$ 2,113	$ 1,982	$ 7,333,000	$ —	$ 24,808,184	$ 17,249,914
—	—	—	—	—	—	9,112	478,636
—	—	—	—	—	—	4,064,069	3,834,179
—	—	—	—	—	—	10,307	13,857
—	—	—	—	—	—	255,675	42,953
—	—	—	—	—	—	4,945,520	4,945,520
—	—	—	—	—	—	9,284,683	9,315,145
$ 47,059	$ 47,059	$ 2,113	$ 1,982	$ 7,333,000	$ —	$ 15,523,501	$ 7,934,769

See accompanying notes to financial statements

Statement of Operations and Changes in Net Financial Assets

For the year ended March 31

	Waterfowl Damage Compensation Program		New Crops Insurance Program		Big Game Damage Compensation Program		AIDA-CFIP Program	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue								
Interest income	$ 7	$ 138	$ 255,601	$ 178,179	$ 1,261	$ 1,081	$ —	$ —
Province of Saskatchewan								
- General Revenue Fund grant programs	2,226,576	2,401,772	—	—	1,043,146	1,794,758	—	—
Government of Canada	3,339,864	3,602,658	—	93,188	1,564,718	2,692,137	—	—
Other	—	—	—	—	—	—	—	—
	5,566,447	6,004,568	255,601	271,367	2,609,125	4,487,976	—	—
Expenses								
Indemnities	5,566,256	6,004,568	—	477,781	2,609,105	4,487,976	—	—
Grants to producers	—	—	—	—	—	—	—	—
Transfers to the Government of Canada	—	—	—	—	—	—	—	2,081,798
Other expenses	191	—	—	—	—	—	—	—
	5,556,447	6,004,568	—	477,781	2,609,105	4,487,976	—	2,081,798
Excess (deficiency) of revenue over expenses for the year before transfers to the Government of Saskatchewan	—	—	255,601	(206,414)	—	—	—	(2,081,798)
Transfers to the Government of Saskatchewan (note 3)	—	—	—	—	—	—	—	—
Excess (deficiency) of revenue over expenses for the year	—	—	255,601	(206,414)	—	—	—	(2,081,798)
Net financial assets, beginning of year	—	—	5,886,952	6,093,366	—	—	1,998,776	4,080,574
Net financial assets, end of year	$ —	$ —	$ 6,142,553	$ 5,886,952	$ —	$ —	$ 1,998,776	$ 1,998,776

See accompanying notes to financial statements

Statement of Operations and Changes in Net Financial Assets (continued)

Canada-Saskatchewan BSE Recovery Program		Canada-Saskatchewan Assistance Program (CSAP II)		Specified Risk Material Management Program		Total	
2007	2006	2007	2006	2007	2006	2007	2006
$ —	$ —	$ 92	$ —	$ —	$ —	$ 256,961	$ 179,398
—	—	—	—	7,333,000	—	10,602,722	4,196,530
—	38,538	—	—	—	—	4,904,582	6,426,521
—	43,733	—	—	—	—	—	43,733
—	82,271	92	—	7,333,000	—	15,764,265	10,846,182
—	—	—	—	—	—	8,175,361	10,970,325
—	367,730	(39)	(554)	—	—	(39)	367,176
—	—	—	—	—	—	—	2,081,798
—	126,238	—	—	—	—	211	126,238
—	493,968	(39)	(554)	—	—	8,175,533	13,545,537
—	(411,697)	131	554	7,333,000	—	7,588,732	(2,699,355)
—	(17,532,803)	—	—	—	—	—	(17,532,803)
—	(17,944,500)	131	554	7,333,000	—	7,588,732	(20,232,158)
47,059	17,991,559	1,982	1,428	—	—	7,934,769	28,166,927
$ 47,059	$ 47,059	$ 2,113	$ 1,982	$ 7,333,000	—	$ 15,523,501	$ 7,934,769

See accompanying notes to financial statements

Statement of Cash Flows

For the Year ended March 31

	Waterfowl Damage Compensation Program		New Crops Insurance Program		Big Game Damage Compensation Program		AIDA-CFIP Program	
	2007	2006	2007	2006	2007	2006	2007	2006
Cash Flows from (used in) operating activities:								
Cash receipts from the Government of Canada	$ 2,360,228	$ 2,956,157	$ —	$ —	$ 2,263,696	$ 2,232,799	$ —	$ —
Cash receipts from the General Revenue Fund	1,099,034	1,810,807	—	—	509,331	894,088	—	—
Increase in funds held by the General Revenue Fund	1,127,542	590,965	—	—	533,815	900,670	—	—
Interest received	1,847	410	245,949	168,605	(8,640)	11,205	—	—
Cash paid to the Government of Canada	—	—	—	—	—	—	—	(2,151,703)
Cash paid to the Government of Saskatchewan	—	—	—	—	—	—	—	—
Cash received from (paid to) Saskatchewan Crop Insurance Corporation	1,023	(115,077)	(477,781)	280,674	211,699	(154,580)	—	—
Cash received from (paid to) Big Game Damage Compensation Program	(3,550)	13,857	—	—	—	—	—	—
Cash received from (paid to) Waterfowl Damage Compensation Program	—	—	—	—	3,550	(13,857)	—	—
Cash received from administration	(191)	—	—	—	(20)	—	—	—
Cash received from (paid to) producers	(4,055,209)	(4,843,871)	—	(477,781)	(3,882,006)	(3,567,261)	—	—
Net increase (decrease) in cash and cash equivalents	530,724	413,248	(231,832)	(28,502)	(368,575)	303,064	—	(2,151,703)
Cash and cash equivalents at beginning of year	602,705	189,457	6,311,326	6,339,828	915,948	612,884	6,944,296	9,095,999
Cash and cash equivalents at end of year	$ 1,133,429	$ 602,705	$ 6,079,494	$ 6,311,326	$ 547,373	$ 915,948	$ 6,944,296	$ 6,944,296
Cash and cash equivalents include:								
Cash	$ 5,887	$ 11,740	$ —	$ —	$ 13,553	$ 15,278	$ 296	$ 296
Due from the Province of Saskatchewan – General Revenue Fund	1,127,542	590,965	6,079,464	6,311,326	533,815	900,670	6,944,000	6,944,000
	$ 1,133,429	$ 602,705	$ 6,079,464	$ 6,311,326	$ 547,373	$ 915,948	$ 6,944,296	$ 6,944,296

See accompanying notes to financial statements

Statement of Cash Flows (continued)

Canada-Saskatchewan BSE Recovery Program		Canada-Saskatchewan Assistance Program (CSAP II)		Specified Risk Material Management Program		Total	
2007	2006	2007	2006	2007	2006	2007	2006
$ —	$ 4,099,283	$ —	$ —	$ —	$ —	$ 4,623,924	$ 9,288,239
—	—	—	—	7,333,000	—	8,941,365	2,704,895
—	—	—	—	—	—	1,661,357	1,491,635
—	—	84	—	—	—	239,240	180,220
—	—	—	—	—	—	—	(2,151,703)
—	(17,532,803)	—	—	—	—	—	(17,532,803)
—	—	—	—	—	—	(265,059)	11,017
—	—	—	—	—	—	(3,550)	13,857
—	—	—	—	—	—	3,550	(13,857)
—	—	—	—	—	—	(211)	—
—	(2,438,827)	39	554	—	—	(7,937,176)	(11,327,186)
—	(15,872,347)	123	554	7,333,000	—	7,263,440	(17,335,686)
8,521	15,880,868	1,982	1,428	—	—	14,784,778	32,120,464
$ 8,521	$ 8,521	$ 2,105	$ 1,982	$ 7,333,000	—	$ 22,048,218	$ 14,784,778
$ —	$ —	$ 2,105	$ 1,982	7,333,000	—	$ 7,354,846	$ 29,296
8,521	8,521	—	—	—	—	14,693,372	14,755,482
$ 8,521	$ 8,521	$ 2,105	$ 1,982	$ 7,333,000	—	$ 22,048,218	$ 14,784,778

See accompanying notes to financial statements

Notes to the Financial Statements
As at March 31, 2007

1. Status of the Fund

The Saskatchewan Agricultural Stabilization Fund (the Fund) was established under The Farm Financial Stability Act (the Act).

The following programs exist within the Fund:

New Crops Insurance Program:
The New Crops Insurance Program was established in the 1996-97 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate the Corporation for insurance losses on new or developmental crops.

Big Game Damage Compensation Program:
The Big Game Damage Compensation Program was established in the 1996-97 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops and stacked hay resulting from damage caused by big game.

Waterfowl Damage Compensation Program:
The Waterfowl Damage Compensation Program was established in the 1997-98 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops resulting from damage caused by waterfowl.

Agricultural Income Disaster Assistance (AIDA) Program - Canadian Farm Income Program (CFIP):
The AIDA-CFIP Program was established in the 2001-02 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Agriculture and Food Department. The purpose of the program is to facilitate the participation of Saskatchewan in a federal-provincial initiative, administered by the Federal Government, to assist producers facing a serious decline in their profit margins due to circumstances beyond their control.

The AIDA and CFIP programs are virtually the same in program specifications, qualification parameters and administration. The AIDA program was in place for producers' 1998 and 1999 claim years. The CFIP program was in place for producers' 2000, 2001, and 2002 claim years.

Canada-Saskatchewan BSE Recovery Program:
The Canada-Saskatchewan Bovine Spongiform Encephalopathy (BSE) Recovery Program was established in 2003-04 pursuant to Part IV of the Act and is administered by the Saskatchewan Agriculture and Food Department. The purpose of the program is to provide assistance payments to producers and packers affected by the closure of the Canada-United States border to eligible livestock exports.

Canada-Saskatchewan Assistance Program (CSAP II):
The Canada-Saskatchewan Assistance Program was established in the 2001-02 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to enhance or stabilize the incomes of Saskatchewan farmers.

Canada-Saskatchewan Specified Risk Material Management Program (SRM):
On June 26, 2006, the Canadian Food Inspection Agency (CFIA) announced enhancements to Canada's feed ban in an attempt to strengthen Canada's safeguards against the spread of BSE and to speed its eradication. The new regulations require all Specified Risk Material (SRM) tissues to be removed and excluded from use in all animal feed, pet food, and fertilizer and disposed in a manner approved by the CFIA by July 12, 2007.

The Canada-Saskatchewan SRM Management Program provides funding to facilities affected by the enhanced feed ban for investment in one-time infrastructure development projects specifically related to SRM handling and disposal. The goal is to create viable short-term and long-term environmentally safe disposal options across Saskatchewan to reduce the cost of industry adaptation to the new CFIA regulations.

The purpose of the program is to provide assistance payments to eligible applicants who develop the necessary infrastructure to remove, segregate, store, transport, dispose of or destroy specified risk material.

In the event that these programs terminate, any remaining financial net assets must be returned to the Government of Saskatchewan's General Revenue Fund.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Cash and Cash Equivalents:
Cash and cash equivalents consist of cash, short-term investments with a maturity of 90 days or less, the Fund's bank accounts which are included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan (note 3) and all other amounts Due from the Province of Saskatchewan General Revenue Fund.

Revenue Recognition:
Funding received from the Federal Government is considered to be externally restricted and as a result is deferred until the program itself incurs expenses.

The Waterfowl and Big Game Damage Compensation programs are normally funded 60 per cent by the Federal Government and 40 per cent by the Provincial Government.

The Slaughter and the Packer Incentive, Cull Animal, Fed Cattle Set-Aside, and Feeder Calf Set-Aside elements of the BSE Recovery Program are funded 60 per cent by the Federal Government and 40 per cent by the Provincial Government. The Inventory Set-Aside, Other Ruminant Industry Transitional Element, and Fed Livestock Competitive Market Adjustment elements of the BSE Recovery Program are funded 100 per cent by the Provincial Government.

The CSAP II was funded 70 per cent by the Federal Government and 30 per cent by the Provincial Government.

The New Crops Insurance program was funded 60 per cent by the Federal Government and 40 per cent by the Provincial Government.

The amount recognized as revenue from the Federal Government is a percentage of the program eligible expenses.

The Specified Risk Material Management program is funded 60 per cent by the Federal Government and 40 per cent by the Provincial Government. The total budget for the program is $18.333 million. The program was announced March 30, 2007 and the application deadline is December 31, 2008.

The Fund only administers the Provincial portion of the AIDA and CFIP programs and, as a result, the Fund does not record any funding from the Federal Government for its portion of AIDA or CFIP.

Funding received from the Province of Saskatchewan is not considered to be externally restricted because the entities are under common control. As a result, grant revenue from the Province of Saskatchewan is recognized when the grant criteria have been met. The return of grant money to the General Revenue Fund is recognized as an expense.

Use of Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The significant item subject to such estimates and assumptions is indemnities payable. Actual results could differ from those estimated.

3. Due from Province of Saskatchewan General Revenue Fund

The New Crops Insurance Program bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan. Interest is earned on these funds at the government's 30 day borrowing rate, and is based on the fund's average daily account balance. The average of the 30-day borrowing rate was 4.15 per cent (2006 – 2.82 per cent). The Province of Saskatchewan General Revenue Fund pays interest to the fund on a quarterly basis.

The AIDA-CFIP Program funds and the Canada-Saskatchewan BSE Recovery Program funds are deposited in the General Revenue Fund. Interest is not paid on these accounts.

All other amounts represent short-term receivables from the Province of Saskatchewan General Revenue Fund.

During 2005-06, the Fund recorded an expense of $17.5 million for repayment of grant revenue from the BSE Recovery Program to the General Revenue Fund.

4. Due to Government of Canada

The amount payable to the Government of Canada for AIDA/CFIP programs is contingent upon the finalization of the Herd Retention Credit amount. The Herd Retention Credit recognizes that the Province of Saskatchewan had a Herd Retention Program (HRP) that provided financial assistance to livestock producers to relieve financial hardship caused by drought in certain regions of Saskatchewan during 2002. The Government of Canada did not cost share the HRP but the provision of the HRP by Saskatchewan did reduce the Federal Government's costs under the Canadian Farm Income Program (CFIP) as the HRP was considered eligible income for CFIP purposes. In 2004, the Government of Canada agreed to provide an estimated $5 million Herd Retention Credit equivalent to its estimated savings on the CFIP program for those producers who participated in the HRP. The exact amount of the Herd Retention Credit is not known until finalization of calculations but the Federal Government provided an estimated range for Herd Retention Credit of between $1 million and $4.5 million, and $2.7 million (2006-$2.7 million) has been recorded in these financial statements as a reduction to the provincial liability to the Government of Canada for AIDA/CFIP programs.

5. Planned results

	Budget 2006-07 ($000)	Actual 2006-07 ($000)	Actual 2005-06 ($000)
Revenue			
New Crops Insurance	260	256	271
Big Game Damage Compensation	2,500	2,609	4,488
Waterfowl Crop Damage Compensation	3,300	5,566	6,005
AIDA-CFIP	--	--	--
Canada-Saskatchewan BSE Recovery	--	--	82
CSAP II	--	--	--
Specified Risk Material Management Program	--	7,333	--
Expenses			
New Crops Insurance	--	--	478
Big Game Damage Compensation	2,500	2,609	4,488
Waterfowl Crop Damage Compensation	3,350	5,566	6,005
AIDA-CFIP	--	--	2,082
Canada-Saskatchewan BSE Recovery	--	--	494
CSAP II	--	--	(1)
Specified Risk Material Management Program	--	--	--

6. Fair value of financial assets and financial liabilities

The carrying amounts of all financial assets and financial liabilities approximate their fair value due to their short-term nature.

7. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies and boards related to the Fund by virtue of common control by the Government of Saskatchewan.

The Saskatchewan Crop Insurance Corporation administers the Waterfowl Damage Compensation, New Crops Insurance, Big Game Damage Compensation, and Canada-Saskatchewan Assistance programs.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

In accordance with established Government practice, the Fund has not been charged with certain occupancy, financing, administrative, and other costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.